

The Dog Ate My Home

On Behalf of

Charles County Economic Development Summit

By: Anirban Basu
Sage Policy Group, Inc.

October 17, 2012



Sage Policy
Group, Inc.

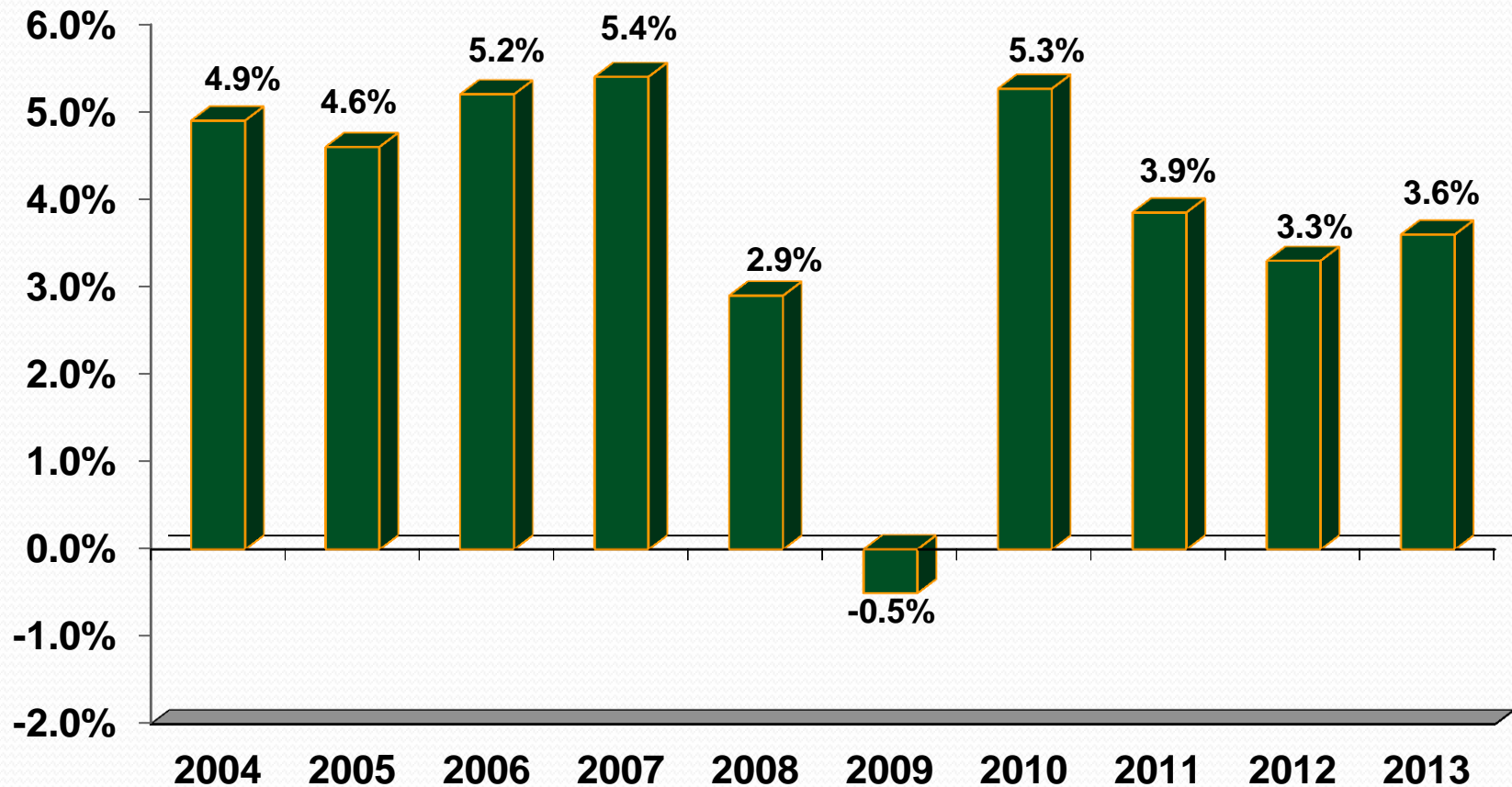
Penny wise, Euro foolish



Sage Policy
Group, Inc.

Historic and Projected World Output Growth

2004 through 2013*

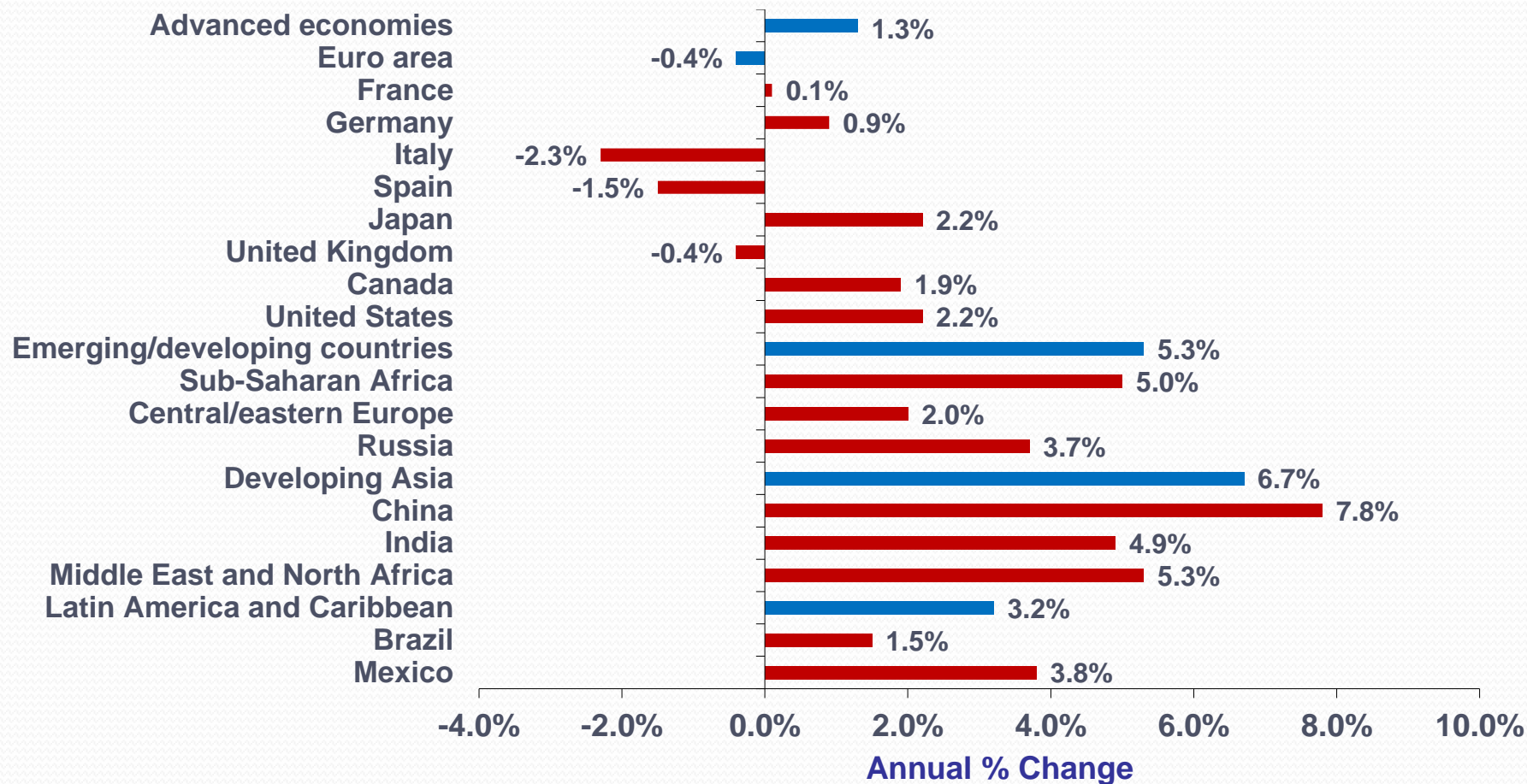


Source: International Monetary Fund

*2012-2013 data are projections

Estimated Growth in Output by Select Global Areas

2012 Projected



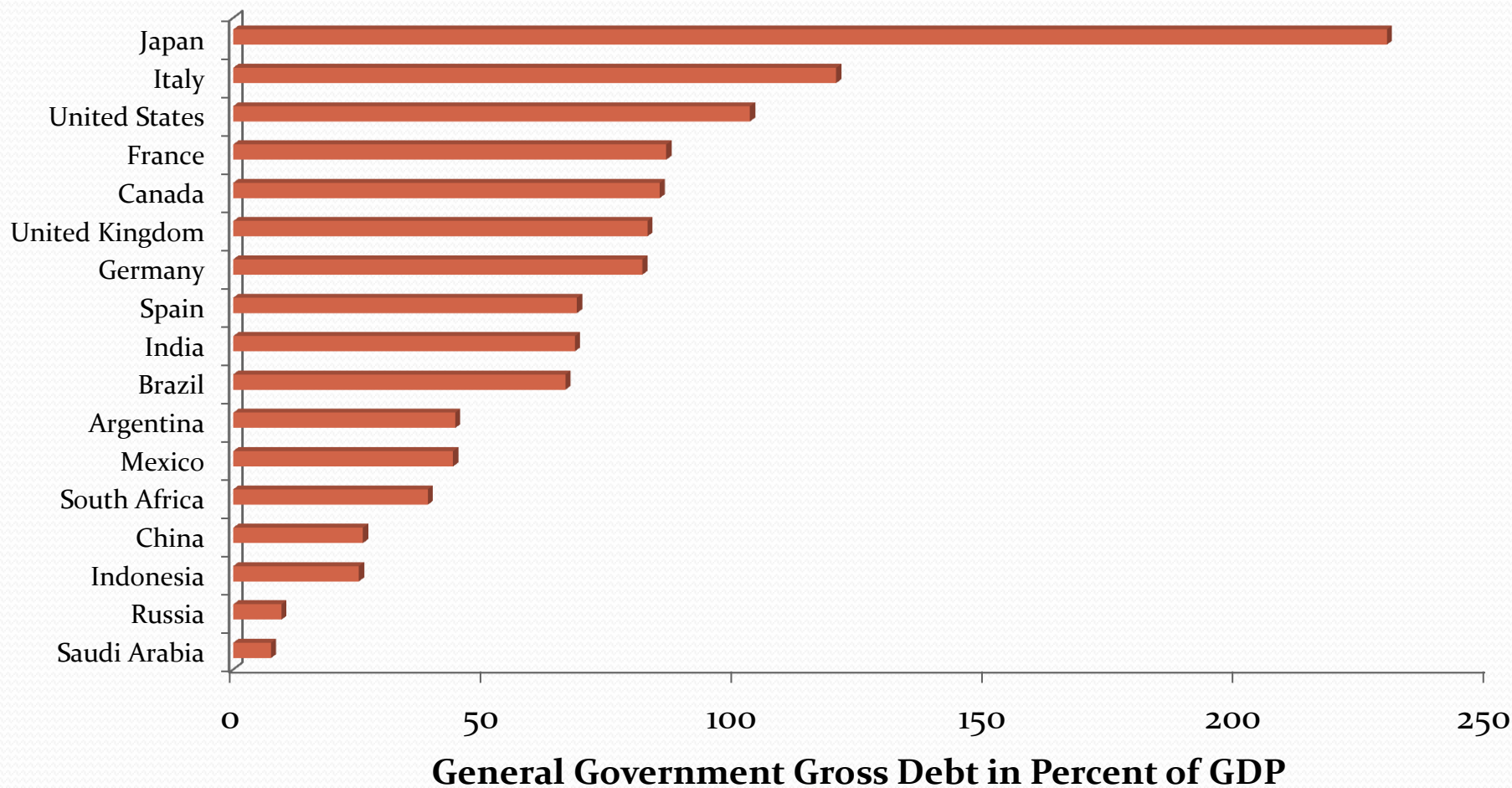
Source: International Monetary Fund



Sage Policy
Group, Inc.

Debt by Country

2011



Source: IMF; BIS; Bloomberg L.P.



Sage Policy
Group, Inc.

Top 12 Stock Exchanges

2011 Growth

Rank	Exchange	Index	% Change
1	NYSE Group	DJI A	5.5%
2	Nasdaq	NASDAQ Composite	-1.8%
3	London SE	FTSE 100	-5.6%
12	Swiss Exchange	Swiss Market	-7.8%
9	TSX Group	S&P TSX Composite	-9.2%
8	Bolsa De Madrid	IGBM	-14.6%
6	Frankfurt SE	DAX	-14.7%
5	Euronext	CAC 40	-17.0%
4	Tokyo SE	Nikkei 225	-17.3%
11	Hong Kong Exchanges	Hang Seng Index	-20.0%
7	Shanghai SE	Shanghai Composite	-21.7%
10	Borsa Italiana	FTSE MIB	-25.2%

Source: Yahoo! Finance

Top 12 Stock Exchanges

Year-to-date Growth thru 10/5

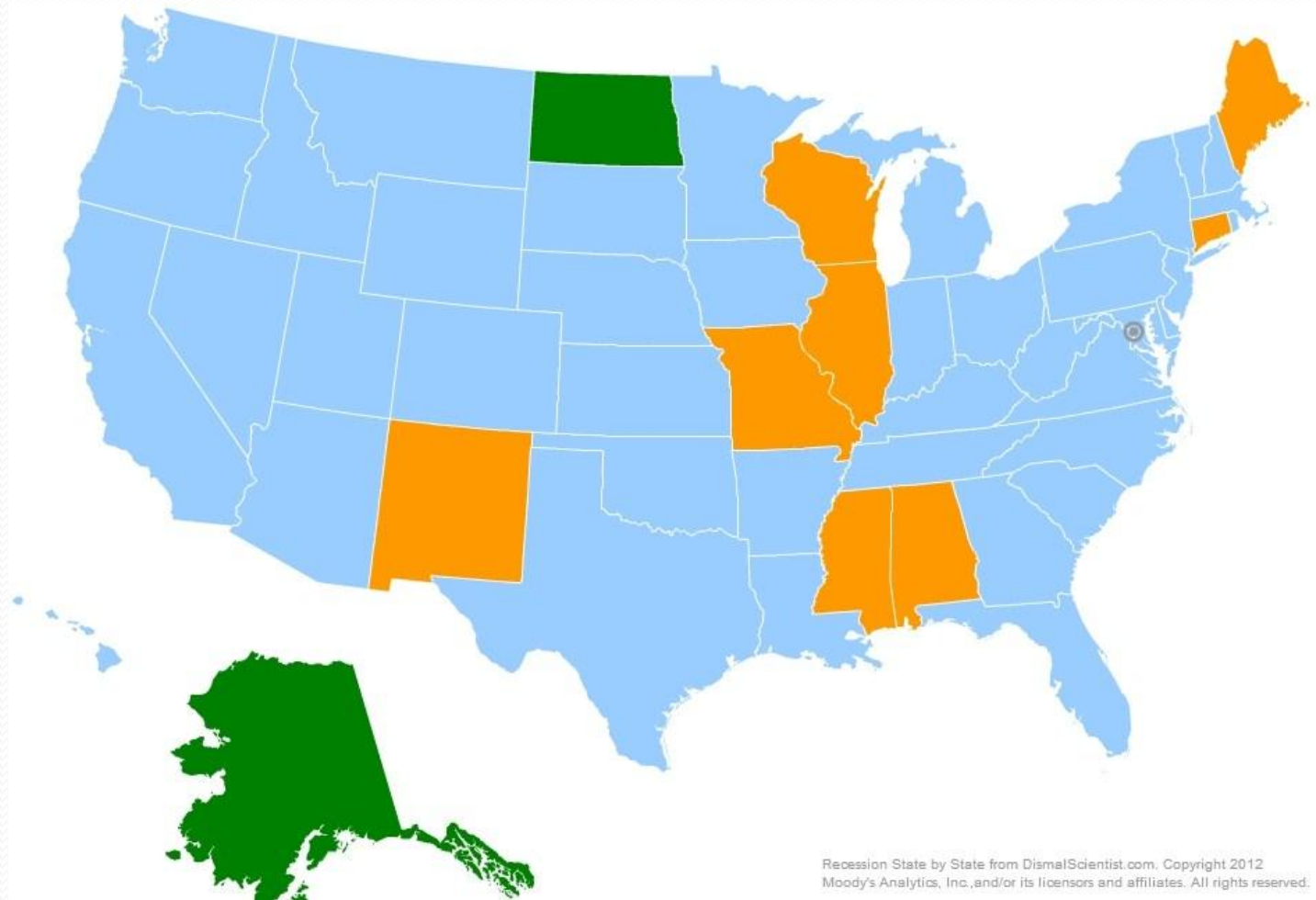
Rank	Exchange	Index	% Change
6	Frankfurt SE	DAX	25.4%
2	Nasdaq	NASDAQ Composite	20.4%
11	Hong Kong Exchanges	Hang Seng Index	14.0%
12	Swiss Exchange	Swiss Market	12.4%
1	NYSE Group	DJI A	11.4%
5	Euronext	CAC 40	9.4%
3	London SE	FTSE 100	5.4%
10	Borsa Italiana	FTSE MIB	5.2%
4	Tokyo SE	Nikkei 225	4.8%
9	TSX Group	S&P TSX Composite	3.9%
7	Shanghai SE	Shanghai Composite	-5.1%
8	Bolsa De Madrid	IBEX 35	-7.1%

Source: Yahoo! Finance

**All dressed up
with no place to go**

Recession Watch

as of October 2012



Source: Moody's Economy

 In Recession  At Risk  Recovering  Expanding



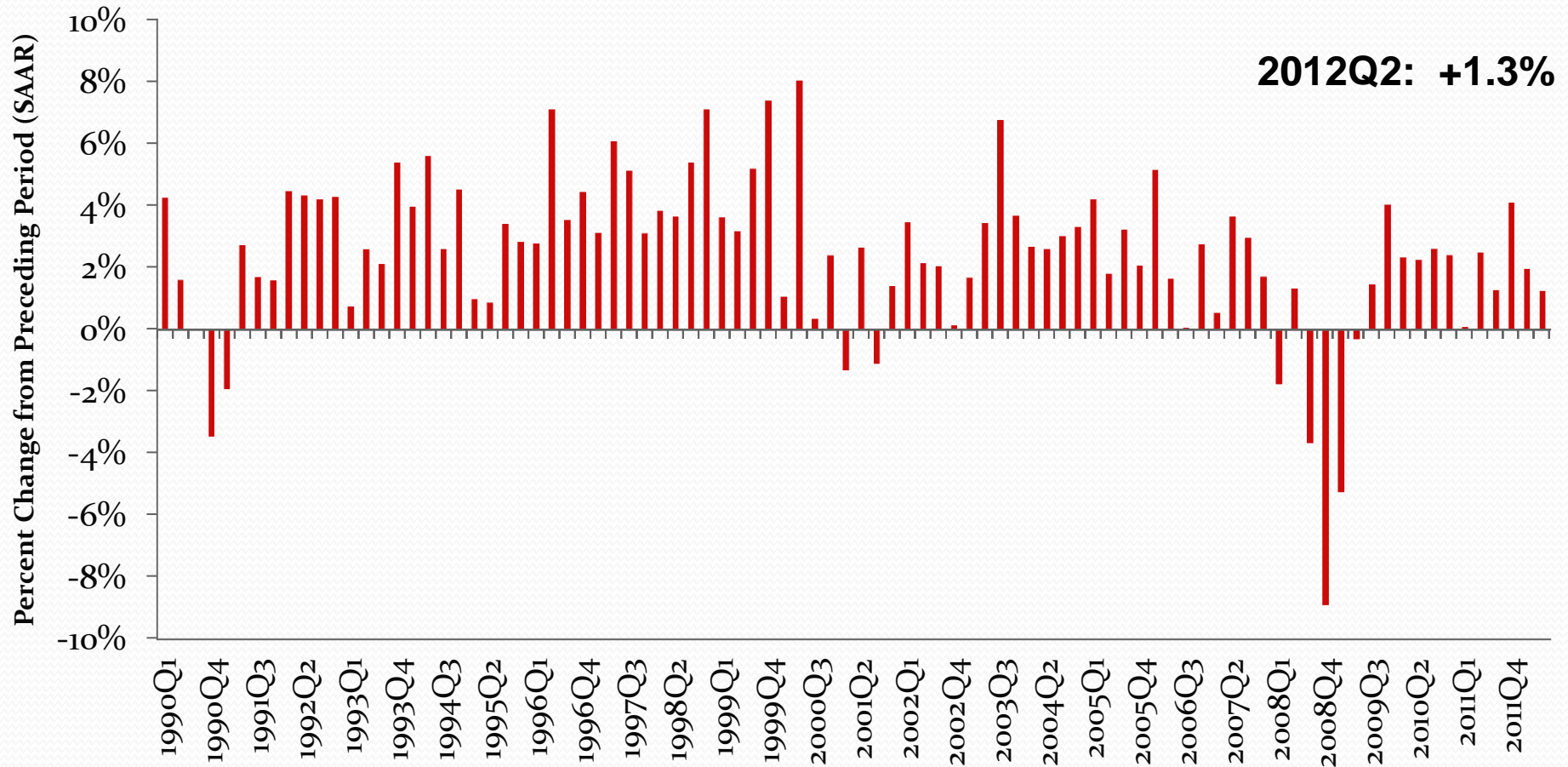
Sage Policy
Group, Inc.

February 2001 through August 2012

 Sage Policy Group, Inc.

Gross Domestic Product

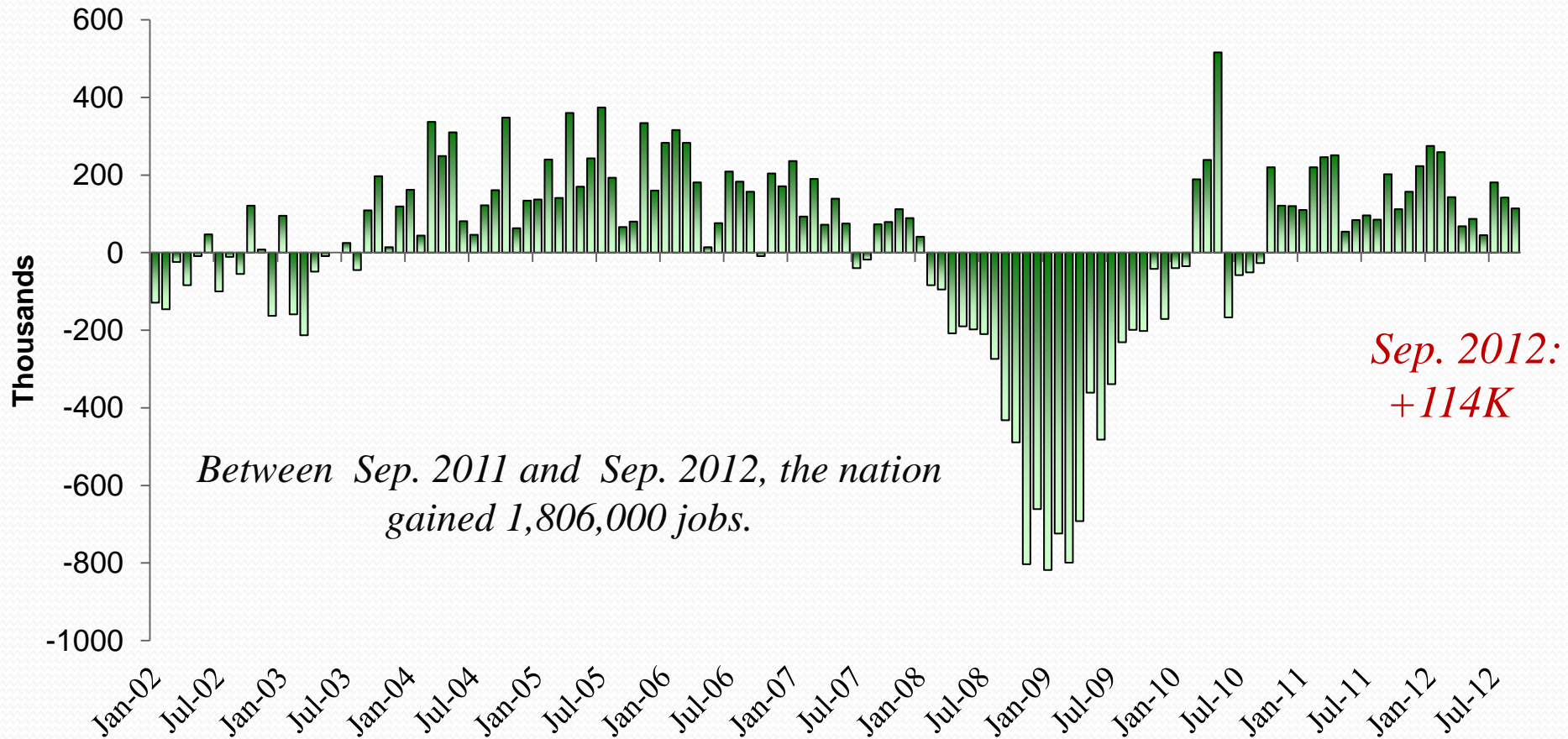
1990Q1 through 2012Q2



Source: Bureau of Economic Analysis

Net Change in U.S. Jobs, BLS

January 2002 through September 2012



Source: Bureau of Labor Statistics

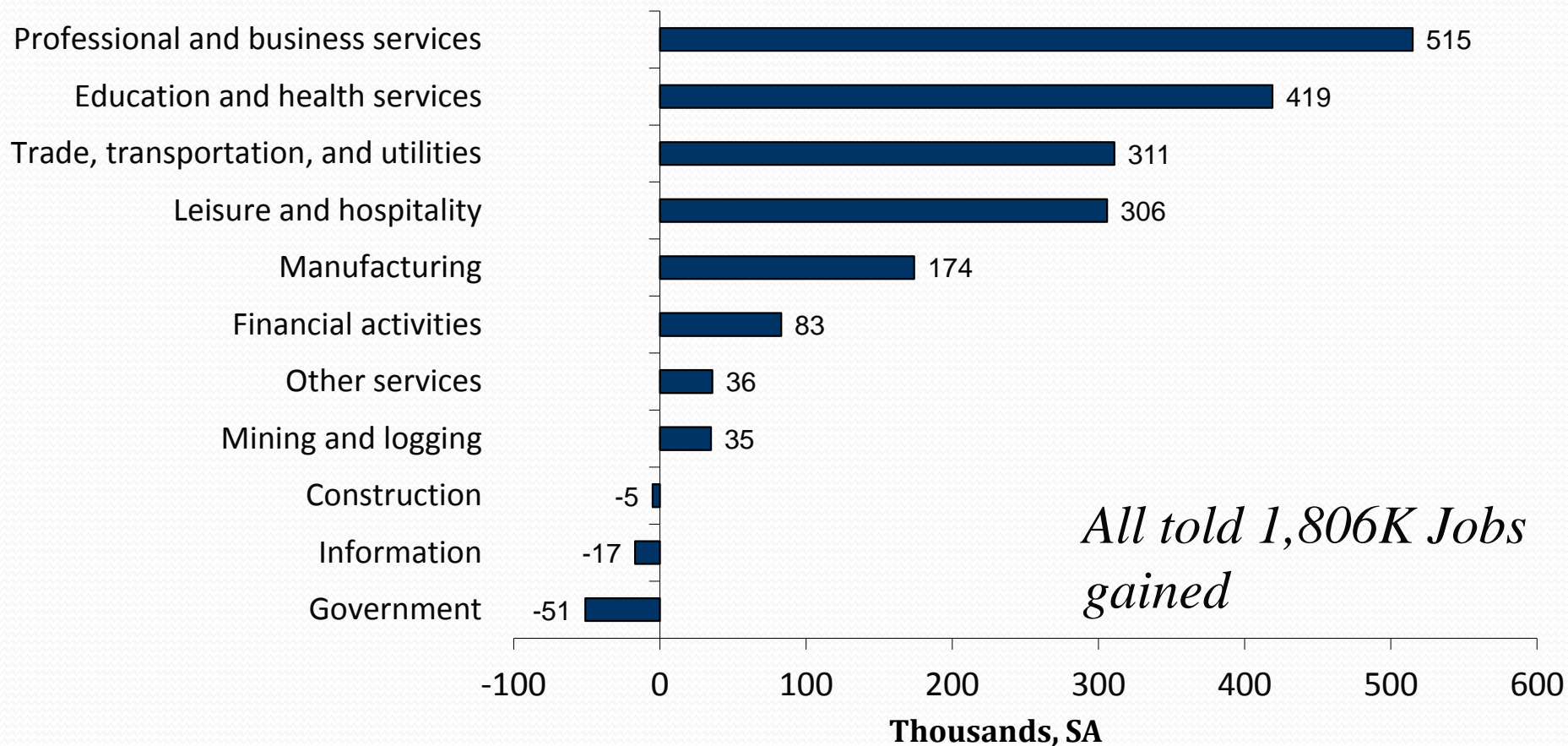


Sage Policy
Group, Inc.

National Nonfarm Employment

by Industry Sector

September 2012 v. September 2011



Source: Bureau of Labor Statistics



Sage Policy
Group, Inc.

Issues with the Federal Budget

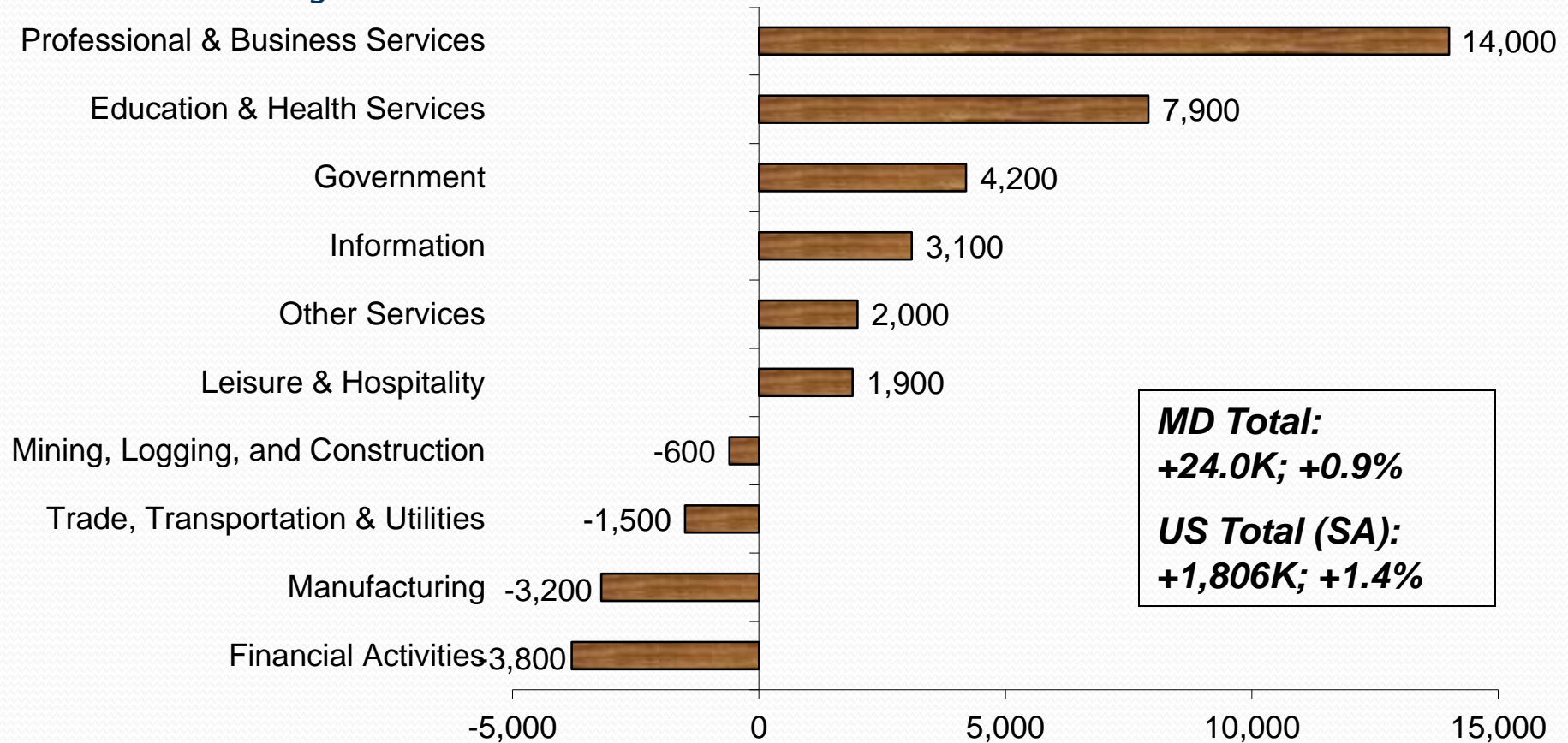
- The automatic sequestration mandated by the Budget Control Act of 2011 is set to begin in January 2013. Both defense and non-defense programs will be **cut by \$54.7 billion each year from 2013 through 2021** – a total of approximately **\$109.3 billion per year** or **\$984 billion through 2021**.
- In addition, if Congress does not act by the end of the year, nearly 50 items in the tax code will expire. Among the most significant items are the “Bush tax cuts” and the payroll tax cut.
 - Bush Tax Cuts: If tax cuts are not extended, **approximately 60 percent of taxpayers will see an increase in their tax rate between 3 and 5 percentage points** (e.g. a couple that makes \$90,000/year will pay an extra \$2,700 in federal income taxes). Expiring tax cuts also mean reductions to investment income. If the current rates expire, the tax rate for capital gains would **increase from 15 percent to 20 percent** and **dividends would be taxed as normal income**, instead of at the current 15 percent rate.
 - Payroll Tax Cut: If allowed to expire, **roughly 160 million workers** will see a **2 percentage point tax increase** in payroll taxes, or an **average of \$714 or more/year** for each worker. The Joint Committee on Taxation reports that the payroll tax cut will save workers **\$114 billion in 2012**.

Maryland Nonfarm Employment

by Industry Sector Groups (SA)

August 2012 v. August 2011

Absolute Change

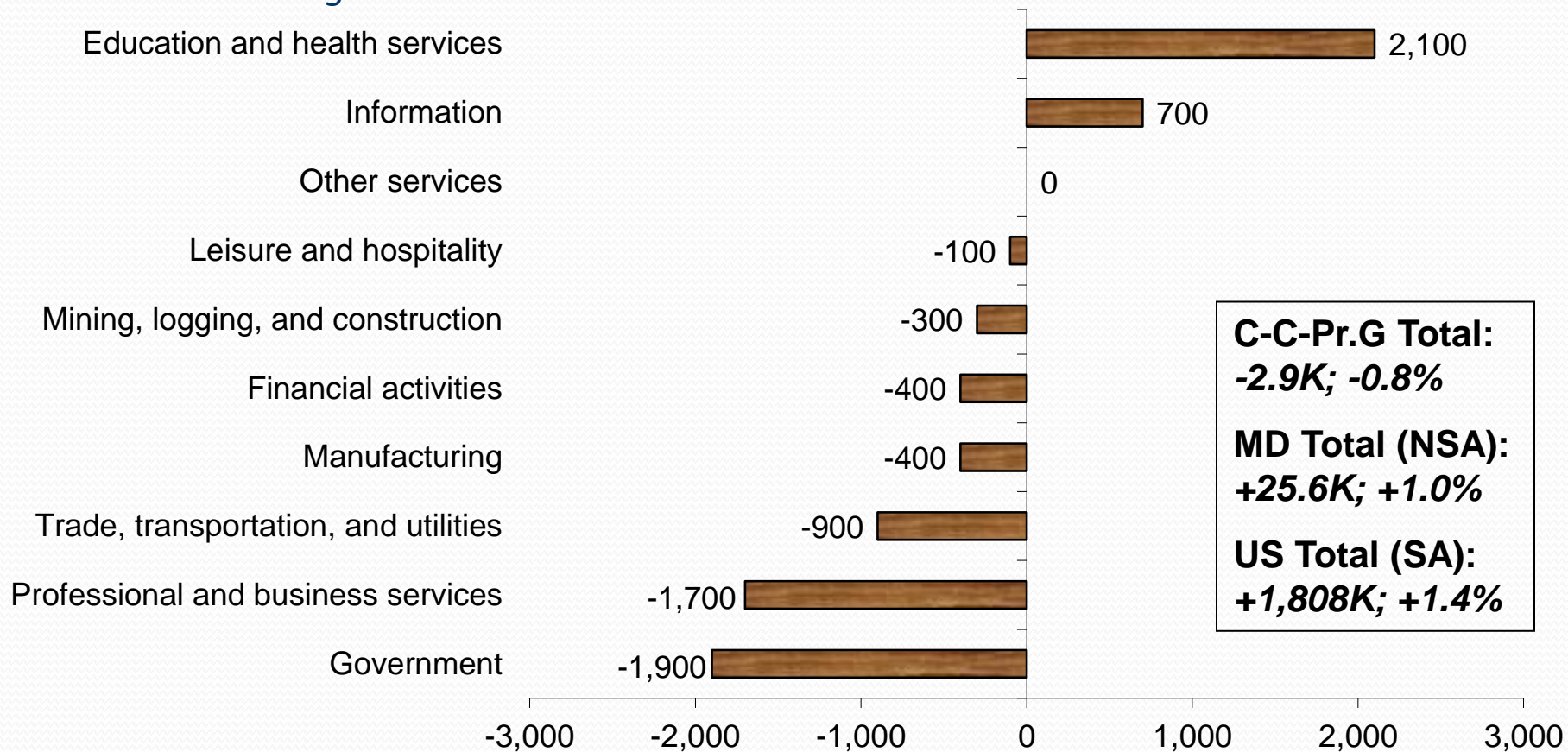


Source: Bureau of Labor Statistics

Calvert-Charles-Prince George's MSA Nonfarm Employment by Industry Sector Groups (NSA)

August 2012 v. August 2011

Absolute Change

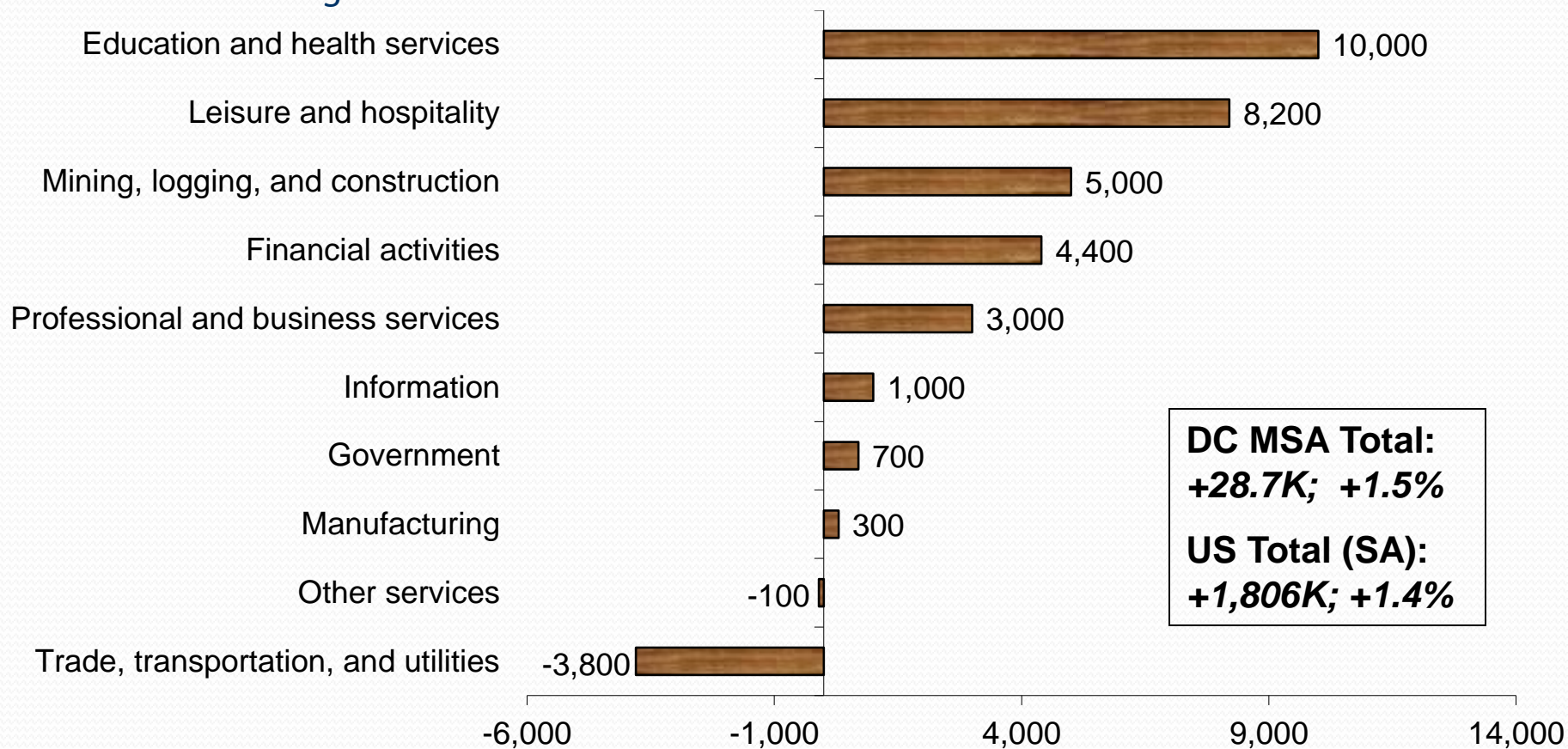


Source: Bureau of Labor Statistics

Washington, DC-Arlington-Alexandria MSA Nonfarm Employment by Industry Sector Groups (NSA)

August 2012 v. August 2011

Absolute Change



Source: Bureau of Labor Statistics



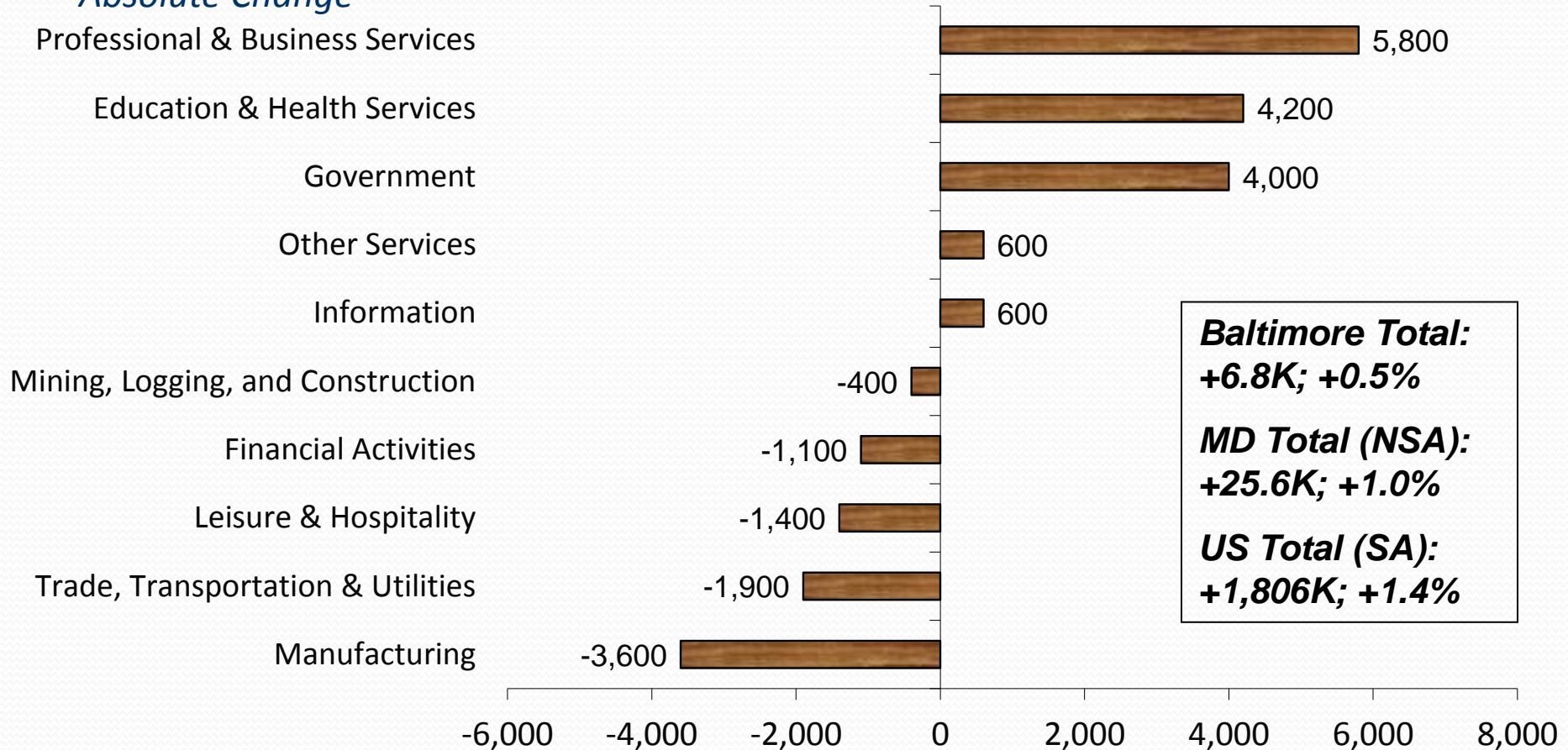
Sage Policy
Group, Inc.

Baltimore-Towson MSA Nonfarm Employment

by Industry Sector Groups (NSA)

August 2012 v. August 2011

Absolute Change



Source: Bureau of Labor Statistics

Employment Growth, U.S. States (SA)

August 2012 v. August 2011 Percent Change

Rank	State	%	Rank	State	%	Rank	State	%
1	North Dakota	6.7	18	Georgia	1.3	35	Illinois	0.7
2	Oklahoma	2.9	18	Massachusetts	1.3	35	North Carolina	0.7
3	Texas	2.5	18	Montana	1.3	37	Alabama	0.6
4	Hawaii	2.4	18	Nebraska	1.3	37	South Dakota	0.6
5	Arizona	2.3	18	New Jersey	1.3	39	Nevada	0.5
5	Indiana	2.3	23	District of Columbia	1.2	40	Alaska	0.4
7	Louisiana	2.2	23	Michigan	1.2	41	Missouri	0.3
8	California	2.1	23	Vermont	1.2	41	Pennsylvania	0.3
8	Kentucky	2.1	26	Florida	1.1	43	Connecticut	0.1
10	Wyoming	2.0	26	Kansas	1.1	44	Delaware	-0.1
11	Ohio	1.9	28	Arkansas	0.9	44	New Hampshire	-0.1
12	Utah	1.8	28	Maryland	0.9	46	Maine	-0.2
13	Idaho	1.6	28	Tennessee	0.9	46	Wisconsin	-0.2
14	Colorado	1.5	31	Iowa	0.8	48	Mississippi	-0.4
14	Washington	1.5	31	Minnesota	0.8	49	Rhode Island	-0.6
16	New York	1.4	31	South Carolina	0.8	50	West Virginia	-0.7
16	Oregon	1.4	31	Virginia	0.8	51	New Mexico	-1.7

Source: Bureau of Labor Statistics

U.S. Year-over-year Percent Change: 1.4%

Unemployment Rates, U.S. States (SA)

August 2012

Rank	State	Rate	Rank	State	Rate	Rank	State	Rate
1	North Dakota	3.0	18	Maryland	7.1	33	Tennessee	8.5
2	Nebraska	4.0	18	Texas	7.1	36	Washington	8.6
3	South Dakota	4.5	20	Missouri	7.2	37	District of Columbia	8.8
4	Oklahoma	5.1	20	Ohio	7.2	37	Florida	8.8
5	Vermont	5.3	22	Arkansas	7.3	39	Oregon	8.9
6	Iowa	5.5	23	Idaho	7.4	40	Connecticut	9.0
7	New Hampshire	5.7	23	Louisiana	7.4	41	Illinois	9.1
7	Wyoming	5.7	25	West Virginia	7.5	41	Mississippi	9.1
9	Utah	5.8	25	Wisconsin	7.5	41	New York	9.1
10	Minnesota	5.9	27	Maine	7.6	44	Georgia	9.2
10	Virginia	5.9	28	Alaska	7.8	45	Michigan	9.4
12	Hawaii	6.1	29	Pennsylvania	8.1	46	South Carolina	9.6
13	Kansas	6.2	30	Colorado	8.2	47	North Carolina	9.7
14	Massachusetts	6.3	31	Arizona	8.3	48	New Jersey	9.9
14	Montana	6.3	31	Indiana	8.3	49	California	10.6
16	New Mexico	6.5	33	Alabama	8.5	50	Rhode Island	10.7
17	Delaware	6.9	33	Kentucky	8.5	51	Nevada	12.1

Source: Bureau of Labor Statistics

U.S. Unemployment Rate: 7.8%



Sage Policy
Group, Inc.

Unemployment Rates, Selected Large Metros (NSA)

August 2012

Rank	MSA	UR
1	Washington-Arlington-Alexandria, DC-VA-MD-WV	5.5
2	Minneapolis-St. Paul-Bloomington, MN-WI	5.7
3	Boston-Cambridge-Quincy, MA-NH	5.9
4	Dallas-Fort Worth-Arlington, TX	6.9
5	Houston-Sugar Land-Baytown, TX	7.0
6	Phoenix-Mesa-Glendale, AZ	7.4
7	Baltimore-Towson, MD	7.7
8	St. Louis, MO-IL	7.8
9	Seattle-Tacoma-Bellevue, WA	8.0
10	San Francisco-Oakland-Fremont, CA	8.2

Rank	MSA	UR
11	Chicago-Joliet-Naperville, IL-IN-WI	8.8
12	Atlanta-Sandy Springs-Marietta, GA	8.9
12	Miami-Fort Lauderdale-Pompano Beach, FL	8.9
14	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	9.0
14	San Diego-Carlsbad-San Marcos, CA	9.0
14	Tampa-St. Petersburg-Clearwater, FL	9.0
17	New York-Northern New Jersey-Long Island, NY-NJ-PA	9.1
18	Los Angeles-Long Beach-Santa Ana, CA	10.3
19	Detroit-Warren-Livonia, MI	10.9
20	Riverside-San Bernardino-Ontario, CA	12.3

Source: Bureau of Labor Statistics

MD County Unemployment Rates

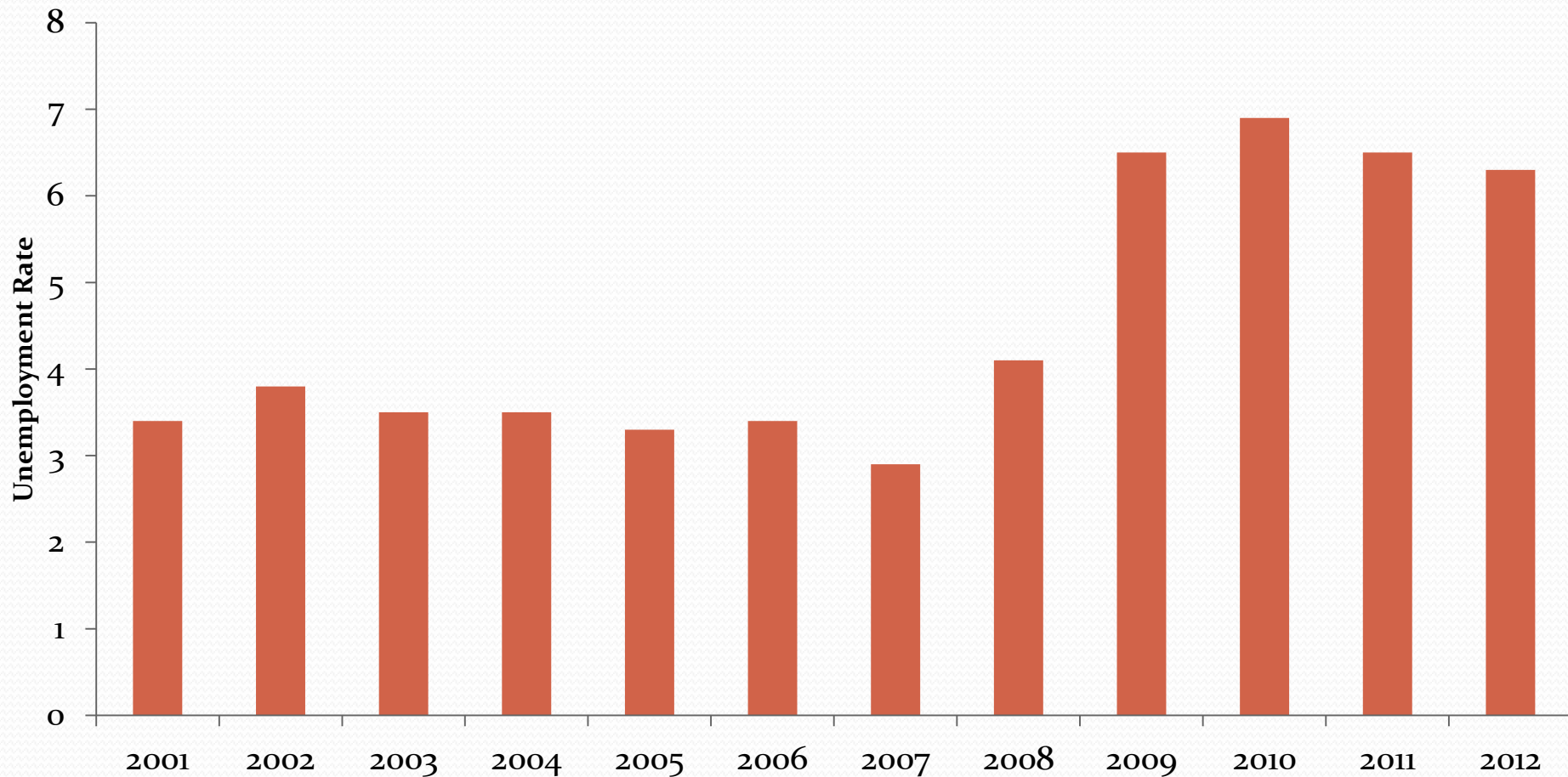
August 2012

Rank	Jurisdiction	UR	Rank	Jurisdiction	UR
1	Montgomery County	5.2	13	Talbot County	7.2
2	Howard County	5.3	14	Harford County	7.3
3	Frederick County	5.8	15	Baltimore County	7.6
4	Calvert County	5.9	16	Worcester County	7.7
5	St. Mary's County	6.2	17	Allegany County	8.1
6	Queen Anne's County	6.3	18	Caroline County	8.2
6	Charles County	6.3	18	Wicomico County	8.2
8	Carroll County	6.5	20	Cecil County	8.3
8	Anne Arundel County	6.5	21	Washington County	8.7
10	Garrett County	6.8	22	Somerset County	9.8
11	Kent County	6.9	23	Dorchester County	10.1
12	Prince George's County	7.0	24	Baltimore City	11.0

Source: Bureau of Labor Statistics

Charles County Unemployment Rate

August 2001- August 2012



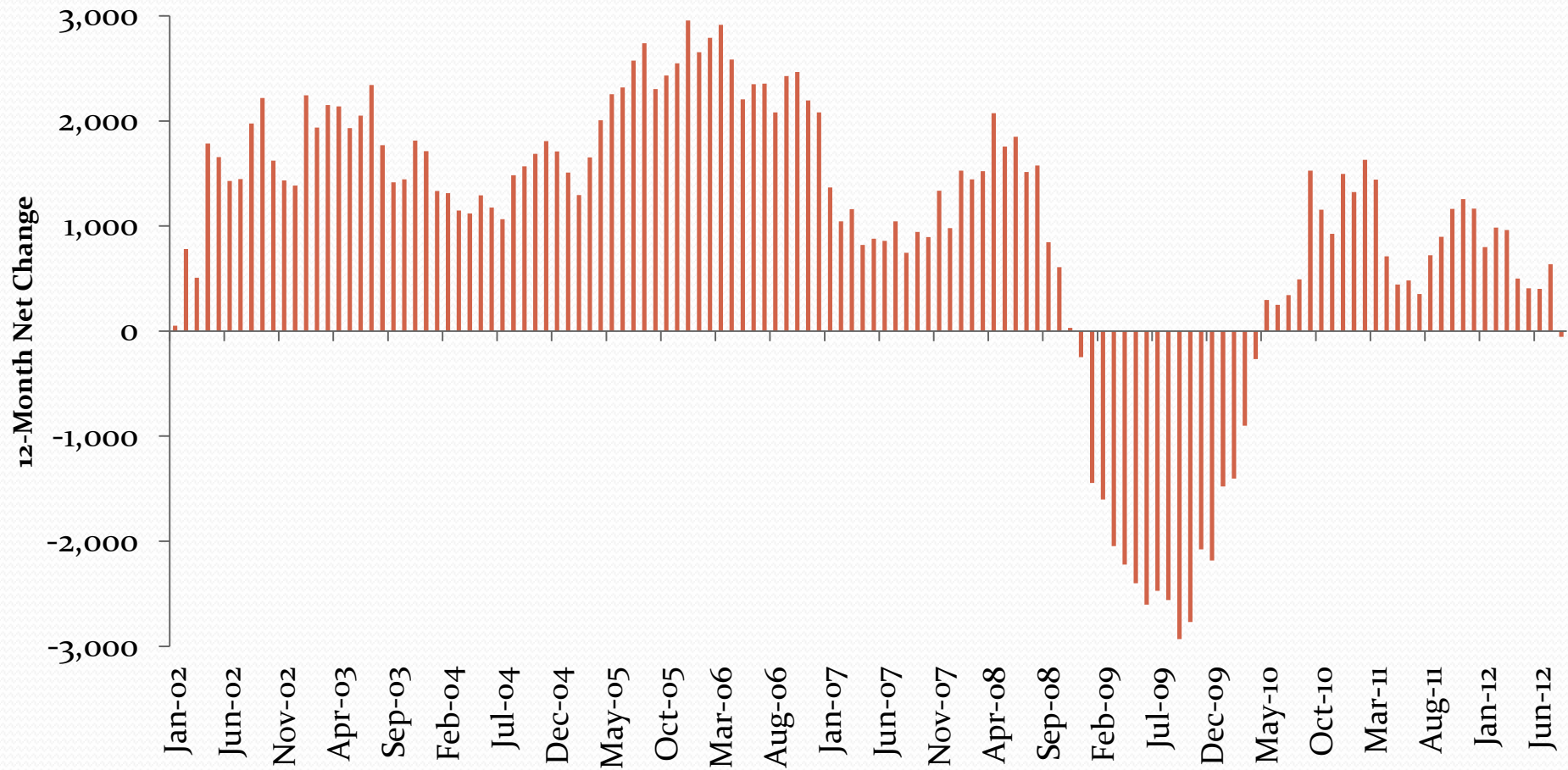
Source: Bureau of Labor Statistics



Sage Policy
Group, Inc.

Charles County Employment

January 2002- August 2012



Source: Bureau of Labor Statistics



Sage Policy
Group, Inc.

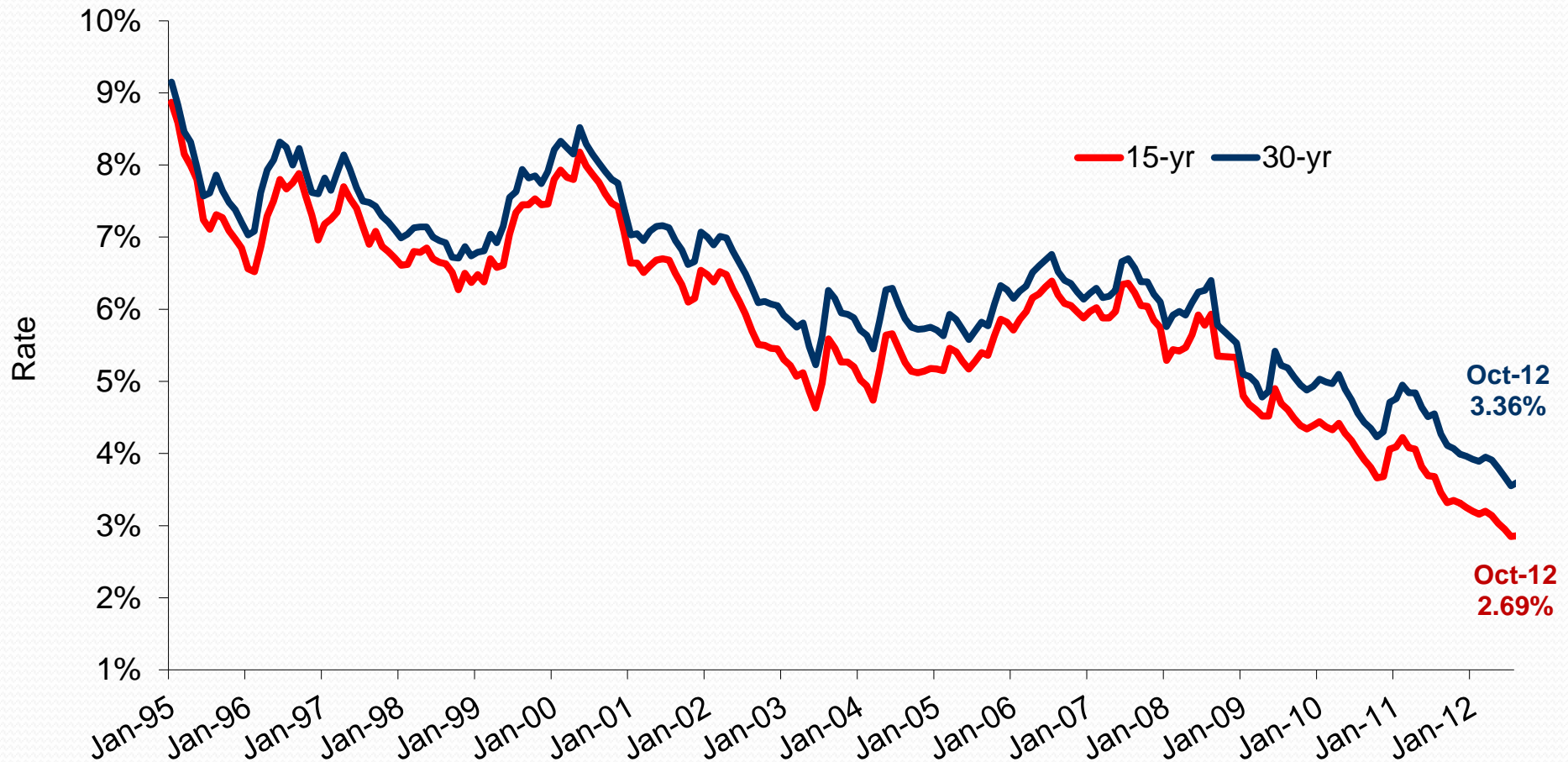
It could be worse, right??



Sage Policy
Group, Inc.

15-Year & 30-Year Fixed Mortgage Rates

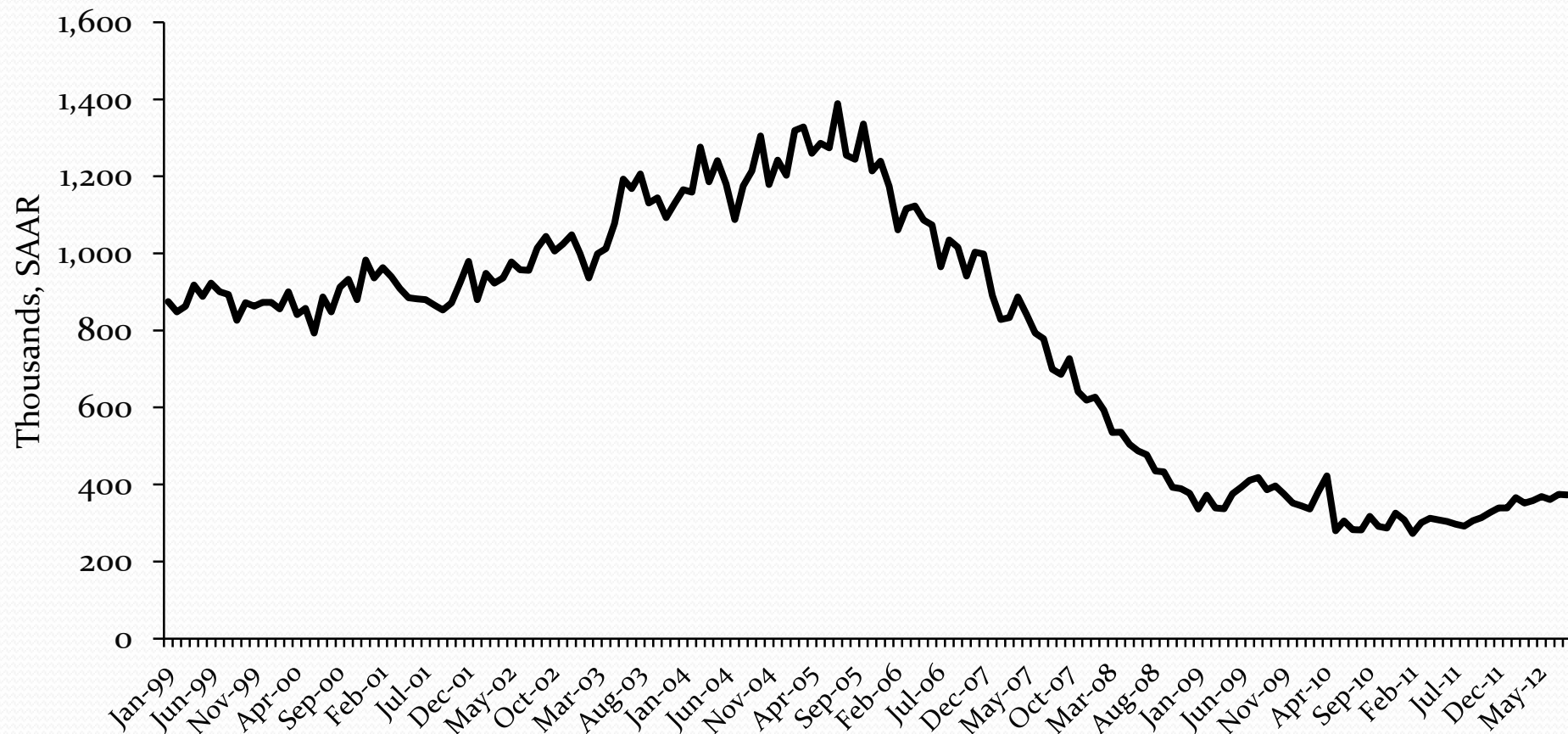
January 1995 through October 2012*



Source: Freddie Mac *Average rate through 10/4.

U.S. New Home Sales

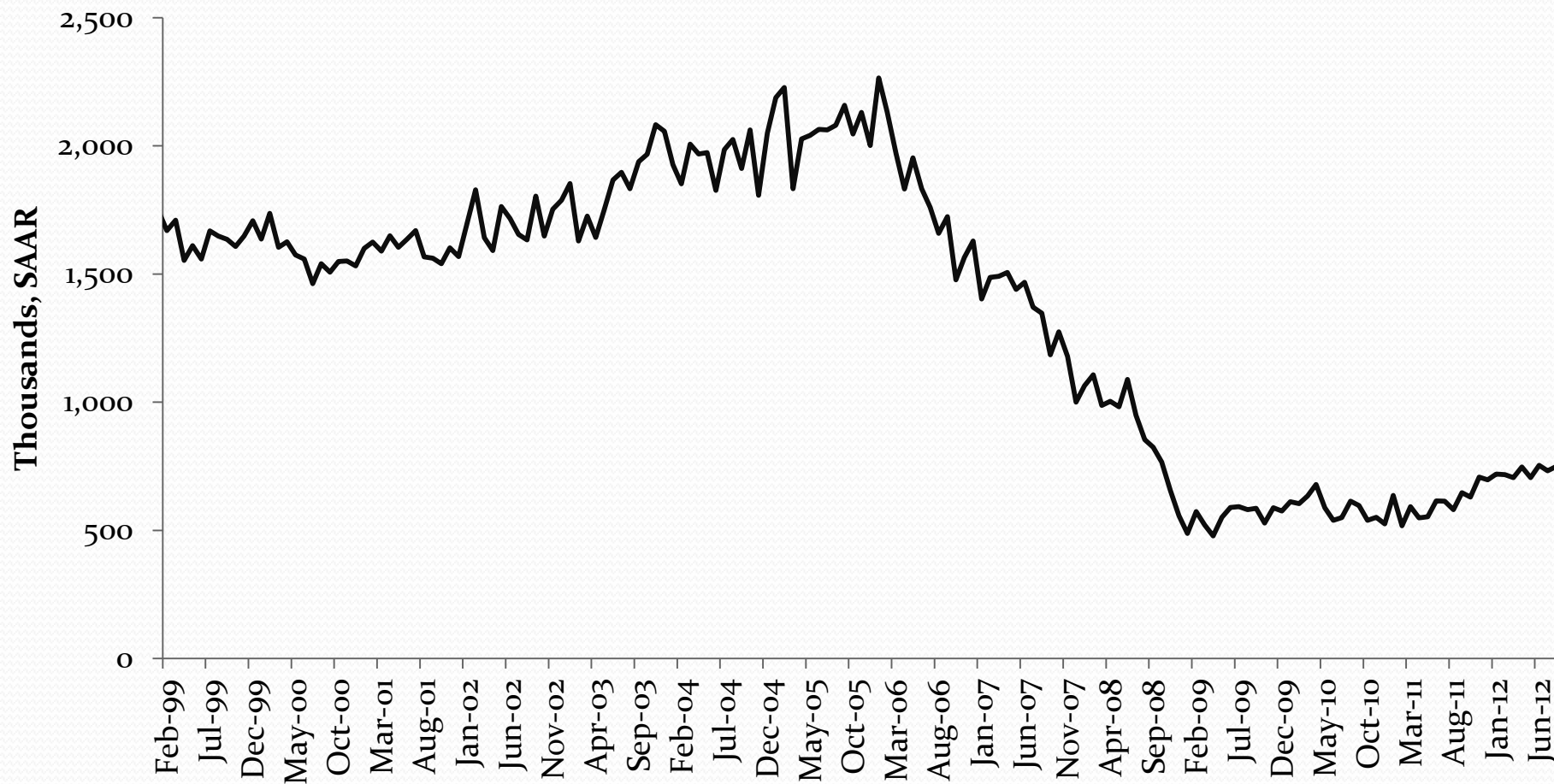
January 1999 through August 2012



Source: Economy.com, Census Bureau

U.S. Housing Starts

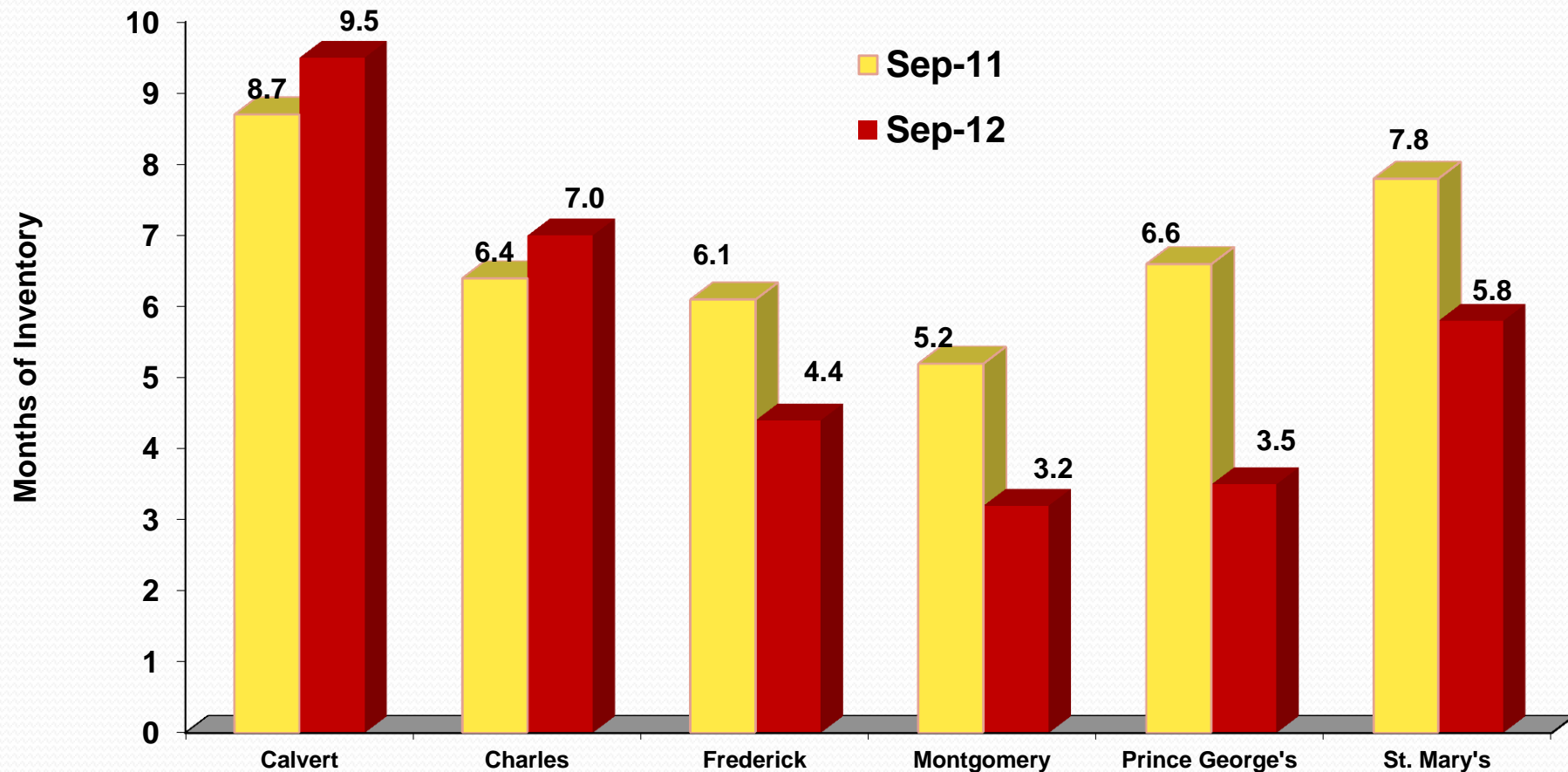
February 1999 through August 2012



Source: Census Bureau

Housing Inventory by Suburban MD

September 2012 v. September 2011



Source: Maryland Association of Realtors

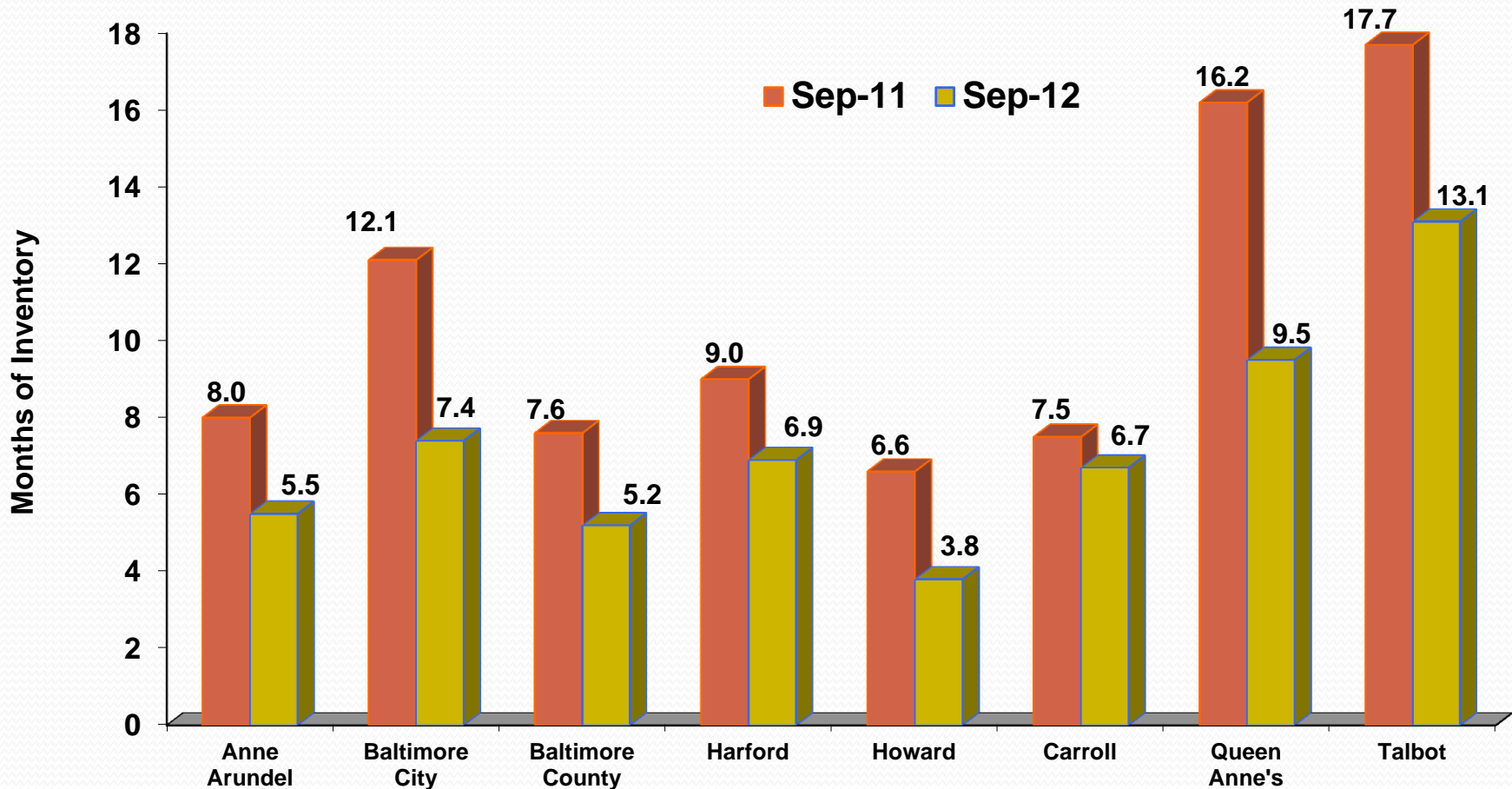
Maryland = Sep. 2011: **8.5 months**; Sep. 2012: **6.0 months**



Sage Policy
Group, Inc.

Housing Inventory by Baltimore MSA Jurisdiction

September 2012 v. September 2011

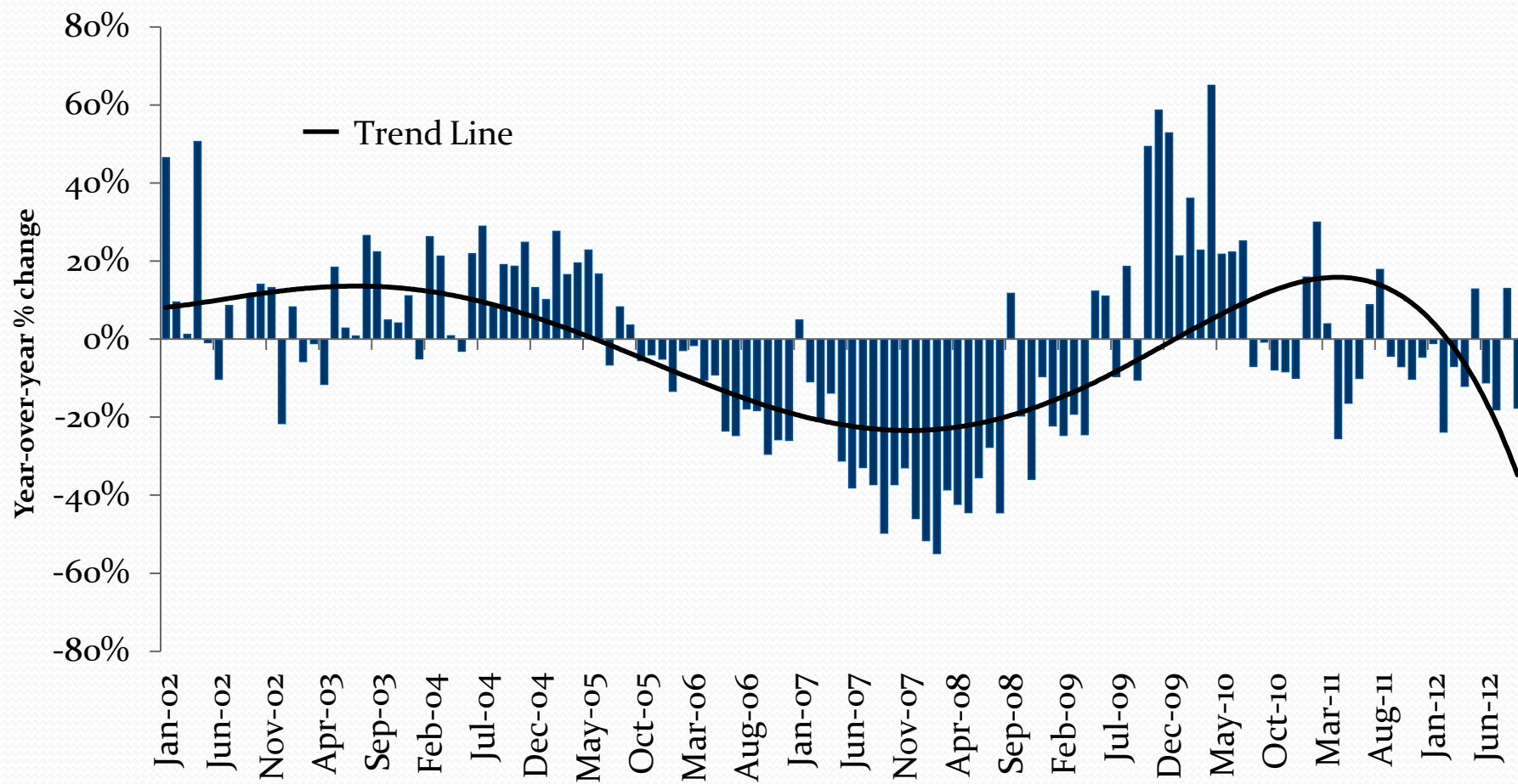


Source: Maryland Association of Realtors

Maryland = Sep. 2011: **8.5 months**; Sep. 2012: **6.0 months**

Charles County Housing Unit Sales

January 2002 through September 2012



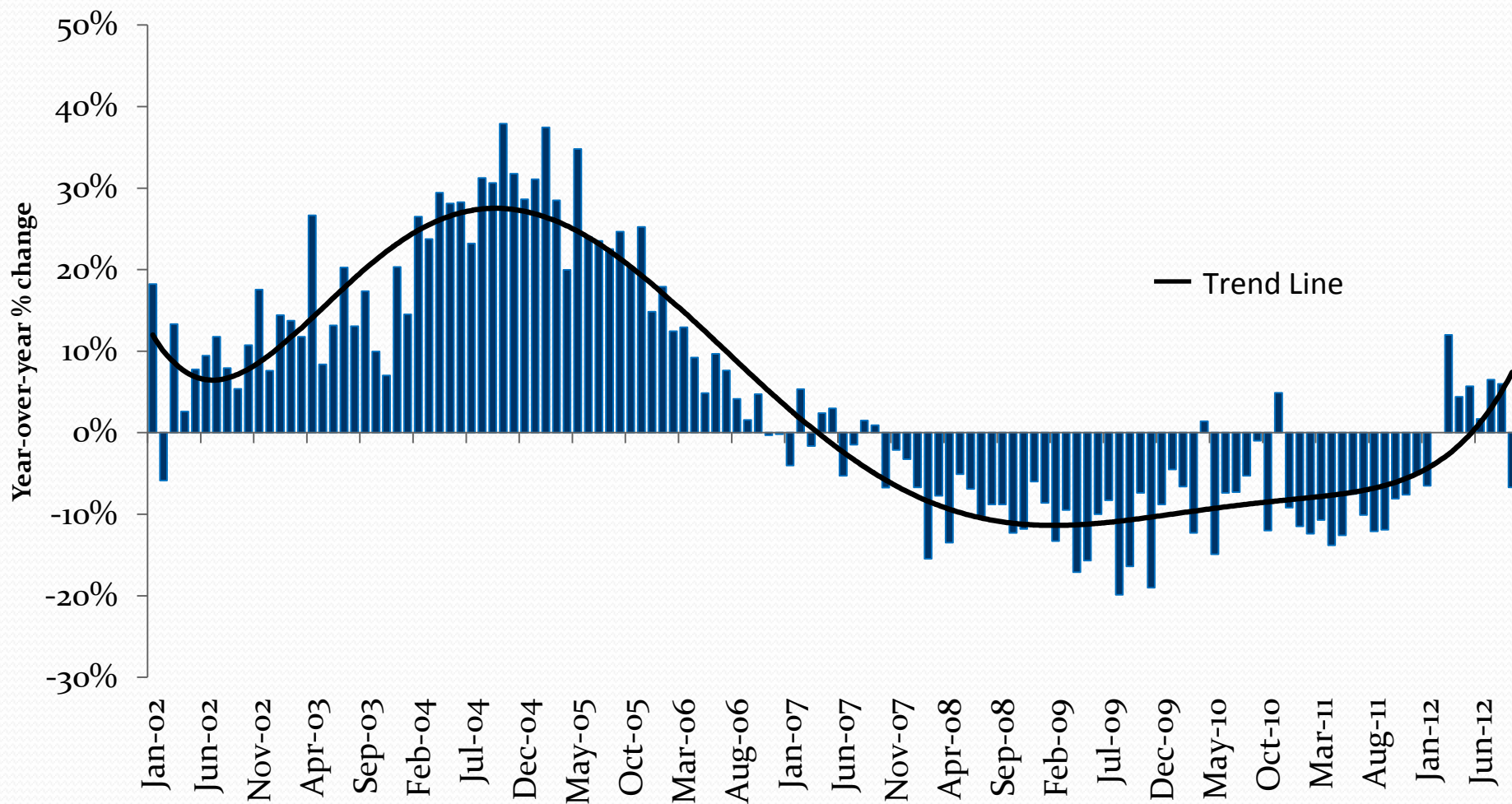
Source: Maryland Association of Realtors



Sage Policy
Group, Inc.

Charles County Median Home Sale Prices

January 2002 through September 2012



Source: Maryland Association of Realtors



Sage Policy
Group, Inc.

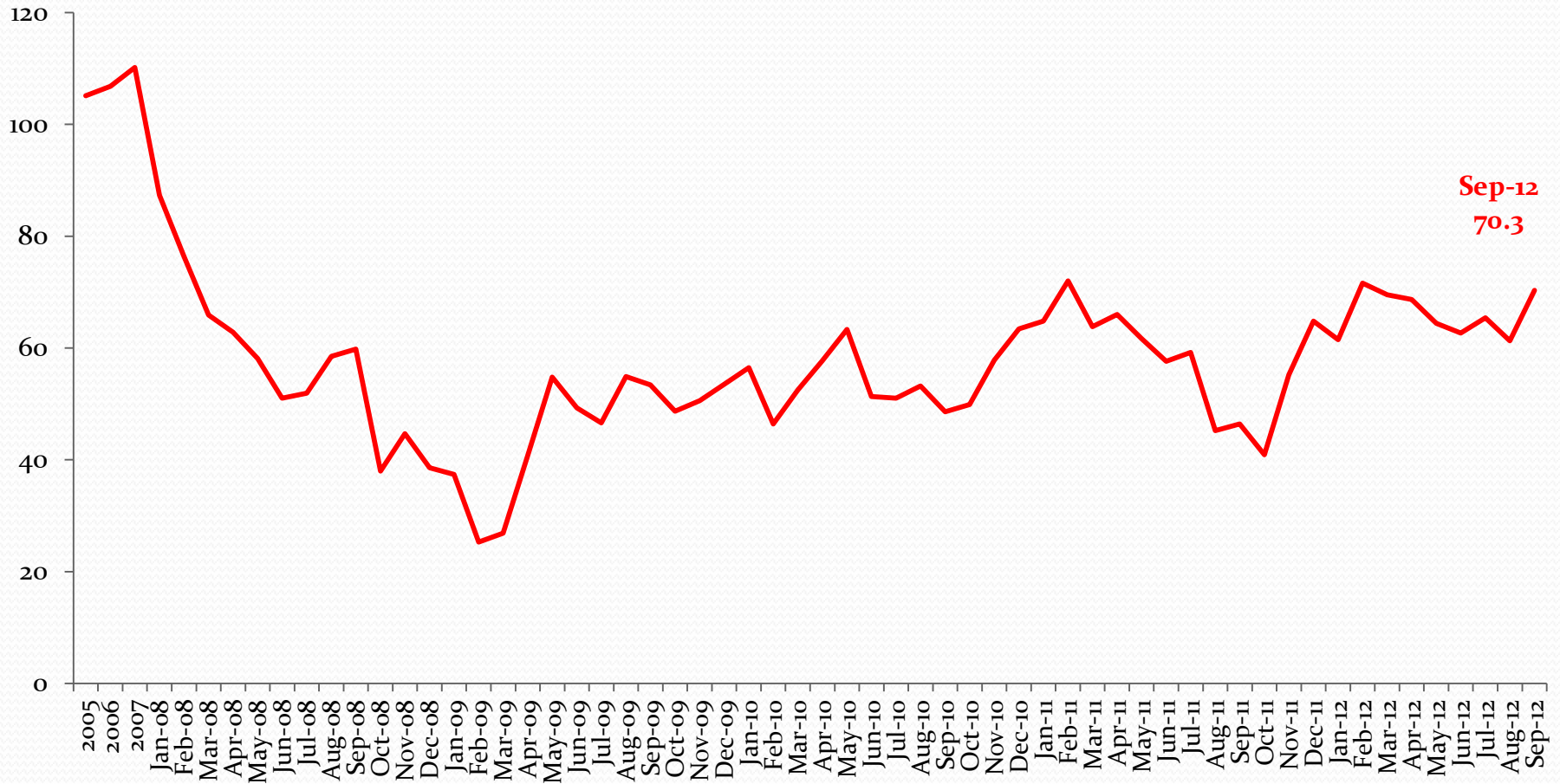
**A penny saved is
a penny earned**



Sage Policy
Group, Inc.

Conference Board Consumer Confidence

2005 – September 2012



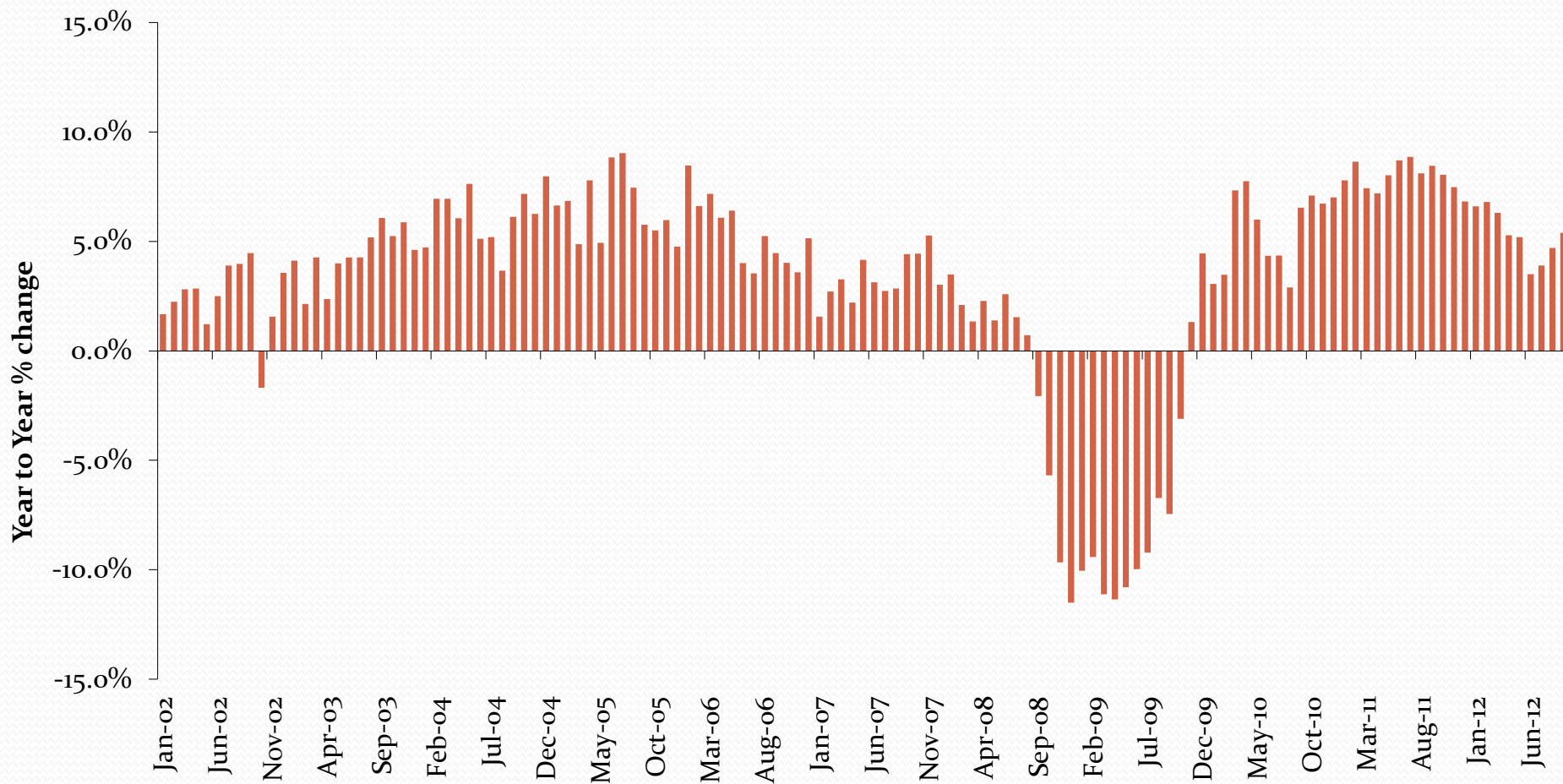
Source: Conference Board



Sage Policy
Group, Inc.

U.S. Retail and Food Service Sales

January 2002 through September 2012



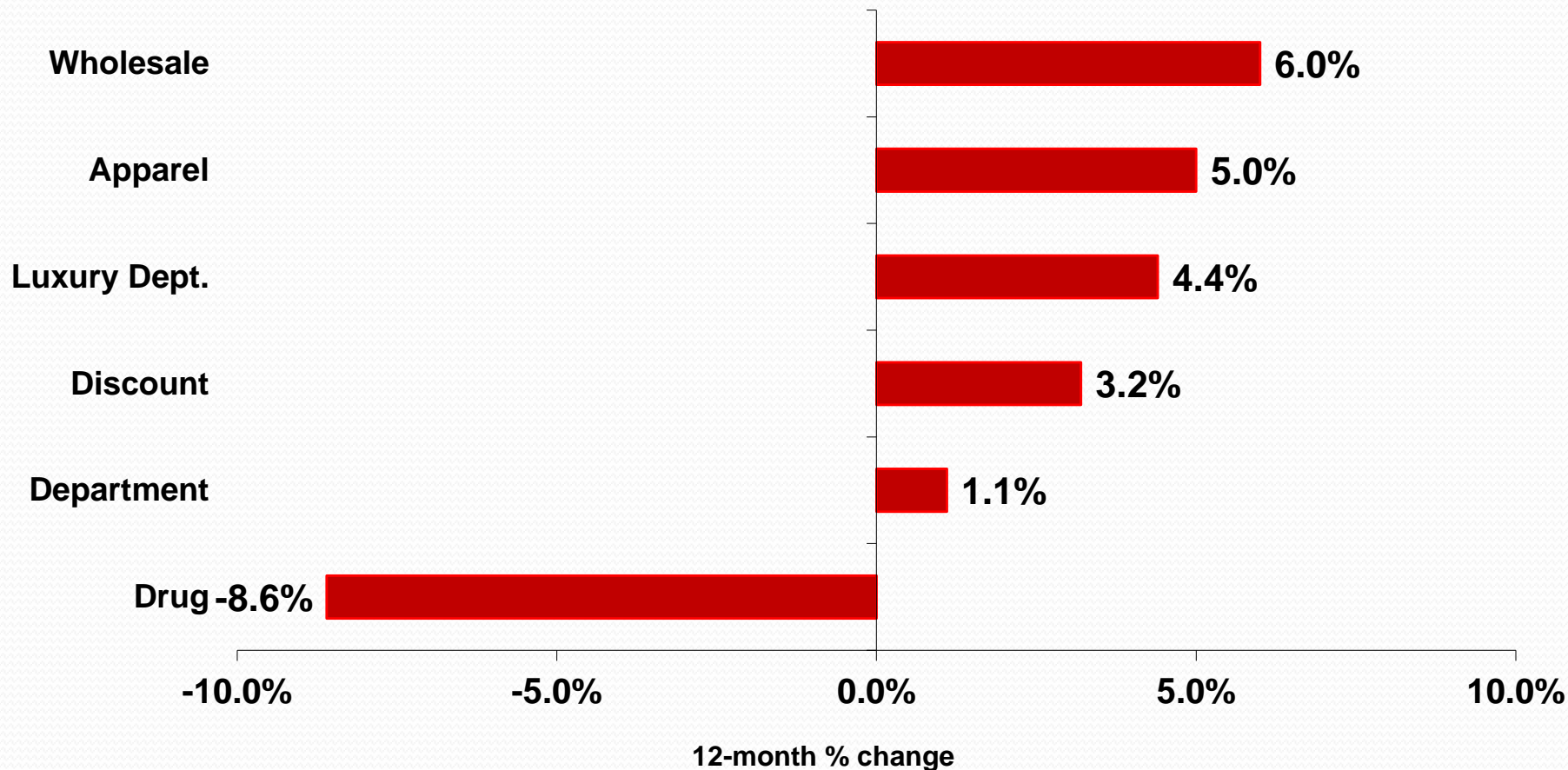
Source: Census Bureau



Sage Policy
Group, Inc.

U.S. Chain Store Sales Growth by Type of Store

September 2011 v. September 2012



Source: Economy.com



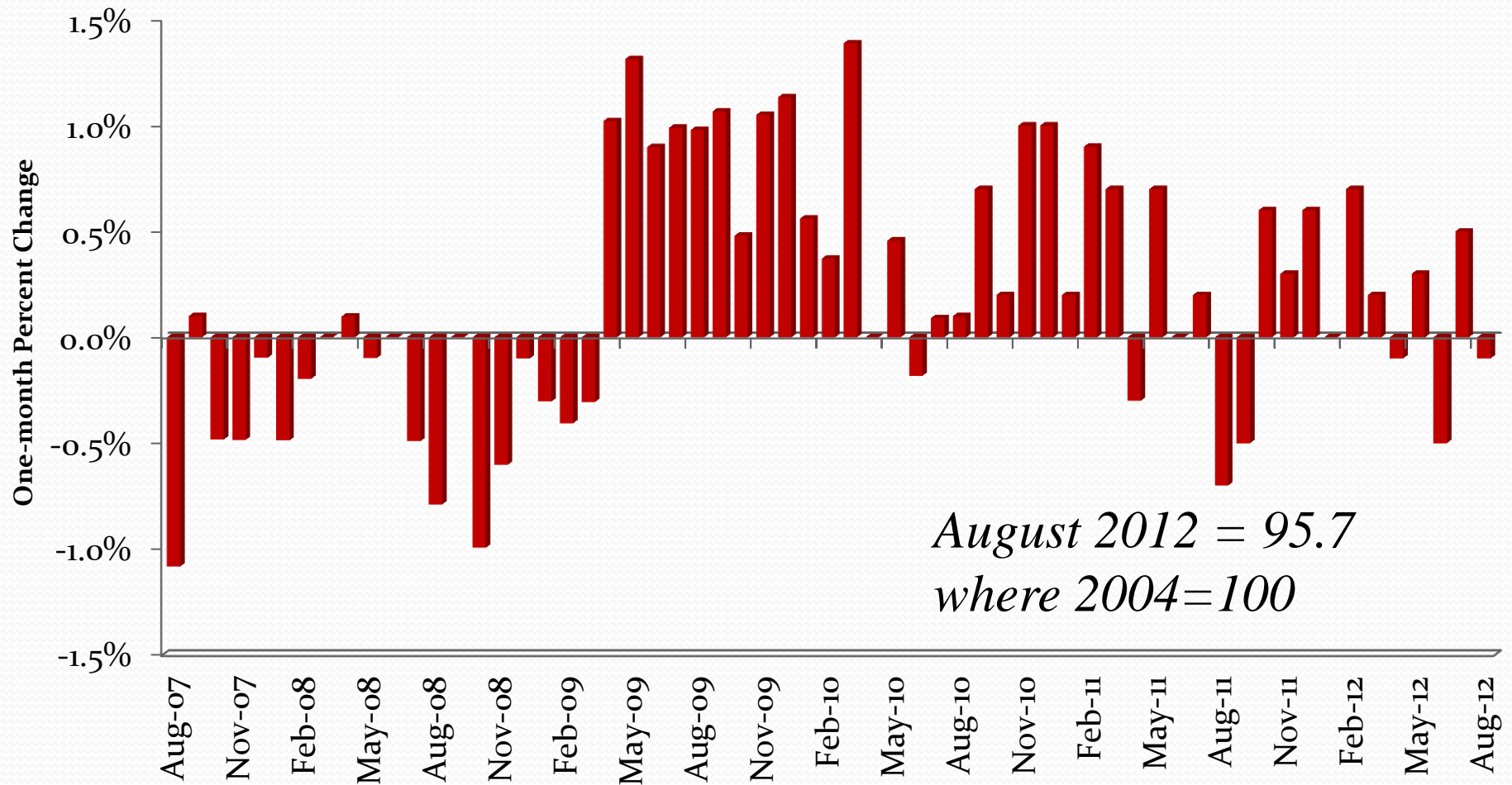
Sage Policy
Group, Inc.

June 2004 through September 2012 (SAAR)



Conference Board Leading Economic Indicators Index

August 2007 through August 2012



Source: Conference Board

It's difficult to forecast, particularly the future

- Economy hit a soft patch;
- Recession not imminent;
- Black swan threats: (1) Iran (2) Israel/Iran (3) Europe;
- 2013 could be very different depending on...;
- Many headwinds remain and the nascent recovery could easily falter; and
- Is Washington the next Detroit?



Thank You

- You can always reach me at abasu@sagepolicy.com
- If you appreciate this type of information and would like regular updates, please see our newsletter service at www.spgtrend.com
- Also, if you need us in a hurry, we are at 410.522.7243 (410.522.SAGE)
- Please contact us when you require economic research & policy analysis.